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SIPDIS

STATE FOR L-WHA RICHARDSON, BUDAPEST FOR KPOSNER-MULLEN

E.O. 12958: N/A

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SUBJECT: CZECH GOVERNMENT APPROVES BILATERAL SCIENCE AND TECHNOLOGY AGREEMENT

1. The government of the Czech Republic approved the draft of a US-Czech bilateral agreement on science and technology on October 19. The Czech government is the first of the ten new EU members to approve a new agreement, which includes reimbursement for VAT and customs duties imposed on commodities acquired with U.S. assistance funds.

2. The document was originally scheduled to be approved by the cabinet at its meeting on October 5. Approval was postponed at the last minute when Finance Minister Bohuslav Sobotka asked the Ministry of Education to check with Brussels on the document's compatibility with EU regulations and laws. Peter Krenek, who heads the Department for International Cooperation at the Ministry of Education, told the Embassy that "there were some problems," but that officials from the Directorate that handles tax matters met with Czech officials and, in Krenek's words, "we overcame the problems by using Article 133 and the principal of usual privileges, which are often used in such agreements."

3. Embassy Prague wishes to thank OES and L for their patience and flexibility in suggesting innovative ways to meet the Czech demand for reciprocity.

4. English and Czech versions of the agreement have been forwarded to Washington for clearance. Once Embassy Prague receives clearance from Washington, a signing ceremony will be arranged. The government has authorized the Minister of Education Petra Buzkova, or her assistant, Petr Kolar, to sign the document. After the agreement is signed by both sides, it will be submitted to both houses of the Czech parliament, and to the U.S. Congress for ratification.
CABANISS